

### DEFINITION

These are tangible assets that are held for use in production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used during more than one period.

### SPECIFIC ITEMS OF PPE

Land	Including landscaping and property enhancements if deemed permanent.
Land Improvements	Depreciable site enhancements that are not permanent such as fences, water systems, side walks, driveways, parking lots, etc.
Buildings	Including demolition costs to give way for the construction of the new building.
Leasehold Improvements	Improvements made by the lessee to the leased property revert to the lessor at the end of the lease contract.
Equipment	Machinery, office and store equipment, vehicles, and furniture and fixtures.
Natural Resources	Timber tracts, mineral, and oil. Termed as wasting assets.
Bearer Plants	Expected to bear produce for more than one period, excluding the produce.

### INITIAL RECOGNITION

**PPE is initially recognized at COST.**

#### Components of Cost

**Purchase Price** Import duties and non-refundable taxes after deducting trade discounts and rebates.

### INITIAL RECOGNITION (cont)

**Directly Attributable Costs (DACs)** Directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management.

**Costs of dismantling, removing, and restoring** Initial estimate of the cost of dismantling and removing the asset and restoring the site on which it is located and for which an entity has a present obligation as required by law or contract. In present value.

### ACQUISITION METHODS

**Cash basis** Cash price equivalent at the recognition date.

**On account** Invoice price minus the discounts, regardless of whether the discount is taken or not.

**Installment** Cash = Cash price equivalent and should not include any financing cost (e.g., interest)  
Note = PV of note + down payment

**Shares** Order of Priority  
a. FV of property received  
b. FV of share capital  
c. Par/Stated value of the share capital

### ACQUISITION METHODS (cont)

**Bonds** Order of Priority  
a. FV of bonds payable  
b. FV of property received  
c. Face value of bonds payable

**Exchange** With commercial substance (with gain/loss)

a. FV of asset given plus cash paid/less cash received

b. b. FV of asset received *plus cash paid/less cash received*

*Gain/loss = FV - CV*

Without commercial substance

a. CV of asset given plus cash paid/less cash received

b. Trade in value of the asset given plus cash paid/less cash received

**Lump sum acquisition (Basket price)** Order of Priority

a. FV method - allocated on the basis of relative fair value.

b. Residual value method – FV is equal to total purchase price less FV of available PPE.

**Donation** FV of PPE

From non-shareholders:  
Income if unconditional, liability if conditional, then income once conditions are met.



### ACQUISITION METHODS (cont)

Construction      Include DACs

### [IAS 23] BORROWING COSTS

Specific Borrowings Only      Actual interest expense during construction less investment income on temporary investment of borrowings = Capitalizable borrowing cost

General Borrowings Only      Lower between:

- Actual interest expense during construction
- Borrowing costs from general borrowings (WAAE x WAIR)

WAAE = expenditure x (mos outstanding/mos of construction)

WAIR = actual interest on borrowings/ principal of borrowings

General and Specific      WAAE

Less: Specific borrowings principal

= Expenditures financed by general borrowings

x WAIR on general borrowings

= Borrowing cost from general

Add: Borrowing cost from specific

= Total Capitalizable borrowing cost

*WAAE - Weighted average accumulated expenditures*

*WAIR - Weighted average interest rate*

### IMPAIRMENT

### RESIDUAL VALUE

### DEPRECIATION

Method	Formula for Depreciation Expense
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Straight Line	$(\text{Cost} - \text{RV}) / \text{EUL}$
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Sum of Years' Digits	$(\text{Cost} - \text{RV}) * (\text{EUL} / \text{sum of EUL})$
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Double Declining	$(\text{Cost} - \text{AccDep}) * (2 / \text{EUL})$
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150% Declining	$(\text{Cost} - \text{AccDep}) * (1.5 / \text{EUL})$
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Unit of Production	Per unit depreciation * Number of units produced
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*EUL - Estimated Useful Life*

*RV - Residual Value*

*AccDep - Accumulated Depreciation*

### [IAS 8] CHANGE IN ACCOUNTING ESTIMATE

Prospective; any change in estimates e.g., estimated useful life of an asset will be applied in current and future accounting periods. No correction or restatement is needed.